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**FEDERAL ELECTION COMMISSION**  
999 E Street, N.W.  
Washington, D.C. 20463

**FIRST GENERAL COUNSEL'S REPORT**

AUDIT REFERRAL: 08-01  
DATE REFERRED: December 21, 2007  
DATE ACTIVATED: January 10, 2008

STATUTE OF LIMITATIONS: Jan. 15, 2008 – April  
27, 2009<sup>1</sup>

**SOURCE:** AUDIT REFERRAL

**RESPONDENTS:** Citizens for Arlen Specter and Stephen Harmelin, in his official  
capacity as treasurer

**RELEVANT STATUTES  
AND REGULATIONS:** 2 U.S.C. § 441a(a)(1)(A)  
2 U.S.C. § 441a(f)  
11 C.F.R. § 103.3(b)  
11 C.F.R. § 110.1(a)  
11 C.F.R. § 110.1(b)

**INTERNAL REPORTS CHECKED:** Audit Documents  
Disclosure Reports

**FEDERAL AGENCIES CHECKED:** None

**I. INTRODUCTION**

This matter was generated by a Commission audit, pursuant to 2 U.S.C. § 438(b), of  
Citizens for Arlen Specter ("CFAS") covering the period January 1, 2003 – December 31, 2004.  
On December 7, 2007, the Commission approved the Report of the Audit Division on CFAS, and

<sup>1</sup> A number of violations occurred during 2003-2004. Between January 15, 2003 and April 27, 2004, Citizens for Arlen Specter received excessive contributions prior to the primary election, representing the range of dates for which the statute of limitations was calculated.

1 on December 21, 2007, one of the four findings (Finding 1) was referred to the Office of the  
2 General Counsel for enforcement. Attachment I.

3 The Audit revealed that CFAS received \$1,052,812 in potential excessive contributions from  
4 individuals and an additional \$21,850 in potential excessive contributions from nine political  
5 committees.<sup>2</sup> Prior to the Audit, CFAS untimely refunded \$12,250 of the individual contributions  
6 and, in response to the interim audit report ("IAR"), sent untimely redesignation or reattribution  
7 notices for contributions totaling \$895,669 and documented additional untimely refunds of  
8 \$22,091.<sup>3</sup> CFAS failed to comply with the 60-day time period allowed for redesignation or  
9 reattribution under the applicable regulations. However, during the audit, CFAS was permitted to  
10 make late presumptive reattributions in lieu of making refunds, consistent with a similar  
11 Commission instruction made in the audit of Martinez for Senate (MUR 5959). After the Final  
12 Audit Report ("FAR") was written, CFAS demonstrated that an additional \$3,250 had been  
13 refunded and \$1,010 had been disgorged to the U.S. Treasury. Individual contributions of

<sup>2</sup> The majority of these funds were from sums raised prior to the primary election and resulted from CFAS failing to send individuals notification of election designation and contributor reattribution. The Commission's regulations provide for two types of reattribution in instances when a contribution is made by a written instrument upon which more than one name is imprinted. First, pursuant to 11 C.F.R. § 110.1(k)(3)(ii)(A), contributors may send in a writing signed by the contributors whose names appear on the instrument attributing the contribution among them (i.e., a "written reattribution"). Second, under 11 C.F.R. § 110.1(k)(3)(ii)(B), a committee may notify contributors of its intention to reattribute the contribution among the names printed on the instrument but provide the contributor the opportunity to request a refund instead of the reattribution (i.e., a "presumptive reattribution"). In each case, the reattribution must be executed within 60 days of the committee's receipt of the original contribution. The "presumptive reattribution" regulation was promulgated after the 2002 election cycle (January 1, 2003 effective date) to address so-called "paper" excessive contributions. "Paper" excessive contributions occurred when it appeared contributors intended to have their contributions attributed among joint account holders, but failed to submit two signatures on the written instrument or failed to submit a written reattribution form (i.e., they did not submit the appropriate "paper" and this caused their excessive contribution).

<sup>3</sup> The audit referral did not include any of the donors who made excessive contributions to CFAS. Our review of audit records indicate that even after counting curable amounts, only three individual donors made excessive contributions that were more than twice the then-applicable contribution limit, which is the threshold used for possible enforcement action in prior election cycles. Further, none of these donors exceeded this threshold by more than \$1500. Similarly, audit records indicate that none of the nine excessive contributions by political committees were more than twice the applicable \$5,000 limit, which is the threshold used in prior election cycles. Accordingly, we are making no recommendation to generate any of the excessive donors as respondents in this matter.

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1 \$118,542 remain unresolved. CFAS addressed the \$21,850 of excessive contributions from  
2 political committees by documenting untimely refunds of \$11,500. The remaining amount of  
3 \$10,350 is unresolved.

4 Based on the information set forth in the FAR, we recommend that the Commission find  
5 reason to believe that CFAS and Stephen Harmelin, in his official capacity as treasurer, accepted  
6 contributions in excess of the limitations of the Federal Election Campaign Act of 1971, as  
7 amended, ("the Act") in violation of 2 U.S.C. § 441a(f) (Finding 1; Attachment 1 at 4-8).

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**IV. RECOMMENDATIONS**

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1. Open a MUR in AR 08-01;

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2. Find reason to believe that Citizens for Arlen Specter and Stephen Harmelin, in his official capacity as treasurer, violated 2 U.S.C. § 441a(f) by accepting contributions in excess of the limitations of the Act;

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4. Approve as Factual and Legal Analysis the Report of the Audit Division on Citizens for Arlen Specter, approved by the Commission on December 7, 2007;


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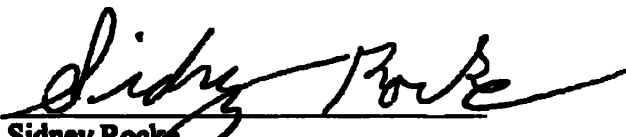
5. Approve the appropriate letters.


Thomasenia P. Duncan  
General Counsel

3/10/08  
Date

BY:

  
Mark D. Shonkwiler  
Acting Deputy Associate General Counsel

  
Sidney Roche  
Assistant General Counsel

  
April J. Sands  
Attorney

Attachments:

1. Report of the Audit Division on Citizens for Arlen Specter

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# **Report of the Audit Division on the Citizens for Arlen Specter**

**January 1, 2003 - December 31, 2004**

## **Why the Audit Was Done**

Federal law permits the Commission to conduct audits and field investigations of any political committee that is required to file reports under the Federal Election Campaign Act (the Act). The Commission generally conducts such audits when a committee appears not to have met the threshold requirements for substantial compliance with the Act.<sup>1</sup> The audit determines whether the committee complied with the limitations, prohibitions and disclosure requirements of the Act.

## **Future Action**

The Commission may initiate an enforcement action, at a later time, with respect to any of the matters discussed in this report.

## **About the Campaign (p. 2)**

Citizens for Arlen Specter is the principal campaign committee for Arlen Specter, Republican candidate for the United States Senate from the state of Pennsylvania, and is headquartered in Philadelphia, PA. For more information, see the chart on the Campaign Organization, p.2.

## **Financial Activity (p. 2)**

• Receipts	
○ From Individuals	\$ 11,944,289
○ From Political Party and Political Action Committees (PACs)	2,586,558
○ Transfers from Authorized Committees	100,277
○ Offsets to Operating Expenditures	78,202
○ Other Receipts	333,263
○ Total Receipts	\$ 15,042,589
• Disbursements	
○ Operating Expenditures	\$ 20,176,701
○ Refunds of Contributions	115,219
○ Total Disbursements	\$ 20,291,920

## **Findings and Recommendations (p. 3)**

- Receipt of Contributions That Exceed Limits (Finding 1)
- Disclosure of Contributions from Political Party Committees and PACs (Finding 2)
- Recordkeeping for Disbursements (Finding 3)
- Failure to Timely File 48 Hour Notices (Finding 4)

ATTACHMENT 1  
Page 1 of 15

<sup>1</sup> 2 U.S.C. §438(b).

# **Report of the Audit Division on the Citizens for Arlen Specter**

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**January 1, 2003 – December 31, 2004**



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# Part I

## Background

### Authority for Audit

This report is based on an audit of the Citizens for Arlen Specter (CFAS), undertaken by the Audit Division of the Federal Election Commission (the Commission) in accordance with the Federal Election Campaign Act of 1971, as amended (the Act). The Audit Division conducted the audit pursuant to 2 U.S.C. §438(b), which permits the Commission to conduct audits and field investigations of any political committee that is required to file a report under 2 U.S.C. §434. Prior to conducting any audit under this subsection, the Commission must perform an internal review of reports filed by selected committees to determine if the reports filed by a particular committee meet the threshold requirements for substantial compliance with the Act. 2 U.S.C. §438(b).

### Scope of Audit

This audit examined:

1. The receipt of excessive contributions and loans.
2. The receipt of contributions from prohibited sources.
3. The receipt of transfers from other authorized committees.
4. The disclosure of contributions and transfers received.
5. The disclosure of disbursements, debts and obligations.
6. The consistency between reported figures and bank records.
7. The completeness of records.
8. Other committee operations necessary to the review.

## Part II

### Overview of Campaign

#### Campaign Organization

<b>Important Dates</b>	<b>Citizens for Arlen Specter</b>
• Date of Registration	December 28, 1992
• Audit Coverage	January 1, 2003 – December 31, 2004
<b>Headquarters</b>	Philadelphia, PA
<b>Bank Information</b>	
• Bank Depositories	3
• Bank Accounts	1 Checking, 3 Money Market, 1 Savings and 12 Investment Accounts
<b>Treasurer</b>	
• Treasurer When Audit Was Conducted	Stephen J. Harmelin, Esq.
• Treasurer During Period Covered by Audit	Stephen J. Harmelin, Esq.
<b>Management Information</b>	
• Attended FEC Campaign Finance Seminar	Yes
• Used Commonly Available Campaign Management Software Package	Yes
• Who Handled Accounting and Recordkeeping Tasks	Paid Staff

#### Overview of Financial Activity (Audited Amounts)

Cash on hand @ January 1, 2003	\$ 5,768,579
o Contributions from Individuals	11,944,289
o Contributions from Political Party Committees and PACs	2,586,558
o Transfers from Authorized Committees	100,277
o Offsets to Operating Expenditures	78,202
o Other Receipts	333,263
<b>Total Receipts</b>	<b>\$ 15,042,589</b>
o Operating Expenditures	20,176,701
o Refunds of Contributions	115,219
<b>Total Disbursements</b>	<b>\$ 20,291,920</b>
Cash on hand @ December 31, 2004	\$ 519,248

## Part III

### Summaries

### Findings and Recommendations

#### **Finding 1. Receipt of Contributions That Exceed Limits**

The audit disclosed that CFAS received excessive contributions from individuals and political committees, most caused by its failure to send individuals notification of election designation and contributor attribution. With respect to contributions from individuals, CFAS addressed the \$1,052,812 at issue by documenting untimely refunds of \$12,250 and, in response to the interim audit report, sending untimely redesignation or reattribution notices for contributions totaling \$895,669 and documenting additional untimely refunds of \$22,091. Contributions of \$133,152 remain unresolved. Included in this amount is \$4,260 that CFAS indicates has been refunded, but has not provided evidence that the refund checks have been negotiated. CFAS addressed the \$21,850 of excessive contributions from political committees by documenting untimely refunds of \$11,500. (For more detail, see p. 4)

#### **Finding 2. Disclosure of Contributions from Political Party Committees and PACs**

CFAS did not properly disclose the receipt of contributions from political party committees and PACs totaling \$322,809. The discrepancies were primarily incorrect addresses and incorrect election to date totals. In response to the interim audit report, CFAS filed amended reports that corrected the discrepancies. (For more detail, see p. 9)

#### **Finding 3. Recordkeeping for Disbursements**

Reviews of operating expenditures and contribution refunds indicated that 7% and 11%, respectively, of the disbursements were not properly documented. The disbursements were all greater than \$200 and there were no canceled checks or vendor invoices. In response to the interim audit report, CFAS provided copies of canceled checks that corrected the discrepancies. (For more detail, see p. 10)

#### **Finding 4. Failure to Timely File 48 Hour Notices**

CFAS did not timely file 48 hour notices for contributions totaling \$567,250 prior to the primary election. In response to the interim audit report recommendation, CFAS acknowledged that the notices were not filed timely, and explained the steps it has taken to ensure timely filing of reports. (For more detail, see p. 11)

## Part IV

# Findings and Recommendations

### Finding 1. Receipt of Contributions That Exceed Limits

#### Summary

The audit disclosed that CPAS received excessive contributions from individuals and political committees, most caused by its failure to send individuals notification of election designation and contributor attribution. With respect to contributions from individuals, CPAS addressed the \$1,052,812 at issue by documenting untimely refunds of \$12,250 and, in response to the interim audit report, sending untimely redesignation or reattribution notices for contributions totaling \$895,669 and documenting additional untimely refunds of \$22,091. Contributions of \$133,152 remain unresolved. Included in this amount is \$4,260 that CPAS indicates has been refunded, but has not provided evidence that the refund checks have been negotiated. CPAS addressed the \$21,850 of excessive contributions from political committees by documenting untimely refunds of \$11,500.

#### Legal Standard

**A. Authorized Committee Limits.** An authorized committee may not receive more than a total of \$2,000 per election from any one person. 2 U.S.C. §441a(a)(1)(A) and 11 CFR §110.1(a) and (b).

**B. Handling Contributions That Appear Excessive.** If a committee receives a contribution that appears to be excessive, the committee must either:

- return the questionable contribution to the donor; or
- deposit the contribution into its federal account and keep enough money on account to cover all potential refunds until the legality of the contribution is established. 11 CFR §103.3(b)(3) and (4).

The excessive portion may also be redesignated to another election or reattributed to another contributor as explained below.

**C. Redesignation of Excessive Contributions.** The committee may ask the contributor to redesignate the excess portion of the contribution for use in another election.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a signed redesignation letter which informs the contributor that a refund of the excessive portion may be requested; or
- refund the excessive amount. 11 CFR §§110.1(b)(5), 110.1(l)(2) and 103.3(b)(3).

Notwithstanding the above, when an authorized political committee receives an excessive contribution from an individual or a non-multi-candidate committee, the committee may presumptively redesignate the excessive portion to the general election if the contribution:

- Is made before that candidate's primary election;
- Is not designated in writing for a particular election;
- Would be excessive if treated as a primary election contribution; and
- As redesignated, does not cause the contributor to exceed any other contribution limit.

Also, the committee may presumptively redesignate the excessive portion of a general election contribution back to the primary election if the amount redesignated does not exceed the committee's primary net debt position.

The committee is required to notify the contributor in writing of the redesignation within 60 days of the treasurer's receipt of the contribution and must offer the contributor the option to receive a refund instead. For this action to be valid, the committee must retain copies of the notices sent. Presumptive redesignations apply only within the same election cycle. 11 CFR §110.1(b)(5)(i)(B) & (C) and (i)(4)(ii).

**D. Reattribution of Excessive Contributions.** When an authorized committee receives an excessive contribution, the committee may ask the contributor if the contribution was intended to be a joint contribution from more than one person.

- The committee must, within 60 days of receipt of the contribution, obtain and retain a reattribution letter signed by all contributors; or
- refund the excessive contribution. 11 CFR §§110.1(k)(3), 110.1(l)(3) and 103.3(b)(3).

Notwithstanding the above, any excessive contribution that was made on a written instrument that is imprinted with the names of more than one individual may be attributed among the individuals listed unless instructed otherwise by the contributor(s). The committee must inform each contributor:

- How the contribution was attributed; and
- That the contributor may instead request a refund of the excessive amount. 11 CFR §110.1(k)(3)(ii)(B).

For this action to be valid, the committee must retain copies of the notices sent. 11 CFR §110.1(i)(4)(ii).

## **Facts and Analysis**

### **A. Excessive Contributions from Individuals**

The Audit staff's review of contributions made by individuals revealed that CFAS received excessive contributions totaling \$1,181,347 from 892 individuals. Of these excessive contributions, 859 totaling \$1,121,347 were excessive for the primary election and 33 totaling \$60,000 were excessive for the general election. Included in the excessive amount are refunds totaling \$12,250 that were not made in a timely manner. In most cases, CFAS either reattributed the excessive portions to the original contributors' spouses, or redesignated the excessive portions to the next election. However, for these contributions CFAS did not provide evidence of timely reattributions or redesignations; or provide evidence that the contributors were notified of any presumptive reattribution or redesignation made by CFAS. Of these excessive contributions, \$1,126,557 (95%)

would have been resolved had CFAS notified contributors under the presumptive redesignations and/or reattributions rules.

#### **B. Excessive Contributions from Other Political Committees**

The Audit staff's review of contributions from political party committees and PACs revealed that CFAS received excessive contributions totaling \$21,850 from 9 political committees. Included in the excessive amount were refunds totaling \$11,500 that were not made in a timely manner.

These matters were presented at the exit conference along with workpapers detailing the errors. The CFAS representative stated that written redesignation/retribution letters were not available, and that most of the redesignations/reattributions were made over the telephone.

After the exit conference, CFAS provided a letter and copies of two solicitations with reply cards that explain that its contributors were informed on response cards and other campaign materials of the Commission's regulations and contribution limits. According to CFAS, "Given the presence of this language on the reply cards, those who contributed money in excess of the limit for the primary campaign confirmed the presumption embodied in the Commission's regulations "that a contributor of a large contribution to a primary election campaign would also support the general election campaign of the same candidate. See 67 Fed. Reg. 69,928, 69,930 (Nov. 19, 2002)." CFAS further stated that the individuals identified by the Audit staff did not contribute in excess of \$4,000 to the primary and the general election campaigns. The Audit staff accepts that contributions accompanied by solicitation materials that were completed by the contributors and that clearly state the election(s) to which the contribution(s) will be applied are sufficient in demonstrating the contributors' intent. As such, these contributions were not included in the amount of excessive contributions. However, the remaining contributions were not accompanied by solicitation materials or were accompanied by solicitation materials that did not meet the requisites above. As a result, the Audit staff could not confirm the contributors' intent that their contribution be designated to multiple elections or that their contribution be attributed to another individual.

#### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that CFAS:

- Provide evidence demonstrating that the contributions were not excessive. Evidence should include documentation that was not available during the audit including copies of solicitation cards completed by the contributors at the time of their contribution and that clearly inform the contributors of the limitations; timely notifications sent to contributors eligible for presumptive redesignation and/or retribution; or, timely refunds, redesignations, or reattributions made for excessive contributions (copies of the front and back of negotiated refund checks) or;
- Absent such evidence, CFAS should send notices to those contributors that were eligible for presumptive redesignation and/or reattributions (\$1,126,557) to inform those contributors how the contribution was designated and/or attributed and offering the contributors the option of receiving a refund of the excessive portion. CFAS

should provide evidence to the Audit staff that the notices were sent. Absent the contributor's request for a refund, these notices obviate the need to refund the contributions or make a payment to the U.S. Treasury.

- For the remaining excessive contributions for which refunds have not been issued, CFAS must refund the excessive portion to the contributors or pay the amount to the U.S. Treasury and provide evidence of such refunds (copies of the front and back of negotiated refund checks); or
- If funds are not available to make the necessary refunds, disclose the contributions requiring refunds on Schedule D (Debt and Obligations) until funds become available to make such refunds.

In response to the interim audit report recommendations, CFAS took the following actions:

First, CFAS provided adequate documentation to demonstrate some of the contributions from individuals were not excessive. As a result, the Audit staff reduced by \$128,535 the amount of excessive contributions from individuals to \$1,052,812 (\$1,181,347 - \$128,535). The Audit staff removed excessive contributions totaling \$122,285 because CFAS demonstrated that the associated solicitation materials were completed by the contributors and clearly stated the election(s) to which their contribution(s) were to be applied. The Audit staff further reduced the excessive amount by \$6,250 based on information and documentation that demonstrated the contributions were not excessive.

CFAS stated that it had provided check copies and solicitations for 106 contributors that were excessive by \$168,984. CFAS claims that these contributions were accompanied by solicitations that clearly informed the contributors of their limits and should be removed from the excessive totals. CFAS also stated that it had provided check copies and solicitations for 393 contributors that were excessive by \$453,424. CFAS provided only partial copies of these solicitations and contends the portions of the solicitations with the required language were mistakenly not copied.

After reviewing this documentation, the Audit staff found that the majority of the solicitations that CFAS provided in its response were associated with earlier contributions that were not excessive. Some of these solicitations were for contributions made years before the contributor became excessive and when different contribution limits were in effect. The Audit staff concluded these solicitations did not sufficiently demonstrate the contributors' intent at the time the excessive contributions were made. It is also noted that CFAS provided documentation for contributions that the Audit staff had previously removed from the excessive total.

In addition to the solicitations mentioned above, CFAS provided a sampling of various solicitations that it had used during the 2004 cycle. All of these solicitations contain the required language clearly stating the election(s) to which the contribution(s) should be applied. From this sampling, CFAS claims that the Audit staff should be able to infer that all contributors that signed a solicitation were fully apprised of the federal contribution limits. However, the Audit staff notes that copies of several other solicitations that were examined during the review did not appear to contain the required

language. The Audit staff requested that CFAS submit complete copies of solicitations or reply cards, but CFAS responded that they had provided all they could locate.

Second, CFAS provided evidence demonstrating that notifications for contributions eligible for presumptive reattribution/redesignation were sent to contributors. The opportunity to send such notifications was provided as a result of Commission decisions in other audits. These notifications were sent for \$895,669 of the excessive contributions that were eligible under the presumptive rules. In addition, CFAS refunded another \$12,841 of these contributions. CFAS provided evidence that \$10,591 of these refunds have been negotiated. Absent such evidence for the remaining refunds of \$2,250, the Audit staff considers this amount as unresolved.

Third, CFAS provided evidence of untimely contribution refunds for excessive contributions that were not eligible for presumptive reattribution/redesignation totaling \$13,510. CFAS provided evidence that \$11,500 of these refund checks have been negotiated. Absent such evidence for the remaining refunds of \$2,010, the Audit staff considers this amount as unresolved.

Fourth, CFAS provided evidence demonstrating that notifications were sent to political committees requesting the designation of excessive amounts to the general election. However, since presumptive rules only apply to excessive contributions from individuals, the Audit staff considers the \$21,850 from the political committees as excessive.

In summary, the Audit staff reduced the amount of excessive contributions from individuals to \$1,052,812. CFAS provided evidence that notifications of presumptive reattribution/redesignation were sent for excessive contributions totaling \$895,669 and untimely contribution refunds were issued for excessive contributions from individuals totaling \$38,601 (\$12,250 + \$12,841 + \$13,510). Refunds totaling \$4,260<sup>2</sup> (\$2,250 + \$2,010) have been submitted without evidence of whether they have been negotiated. For the excessive contributions totaling \$21,850 from political committees, CFAS has refunded \$11,500. The Audit staff considers the remaining excessive contributions from individuals totaling \$122,802 (\$1,052,812 - \$895,669 - \$38,601 + \$4,260) and the remaining excessive contributions from political committees totaling \$10,350 (\$21,850 - \$11,500) as unresolved.

<sup>2</sup> These contribution refunds will be considered as resolved if CFAS should demonstrate that the refunds have been negotiated by providing a copy of the front and back of the refund check. CFAS has indicated that it intends to issue an appropriate remittance to the United State Treasury in the event any remaining refunds checks are not deposited by contributors. Any such amounts will also be considered as resolved.

<sup>4</sup> The payee is usually the person providing the goods or services to the committee. In the case of travel advances, however, the payee is the person receiving the advance. 11 CFR §102.9(b)(2).



## Finding 2. Disclosure of Contributions from Political Party Committees and PACs

### Summary

CFAS did not properly disclose the receipt of contributions from political party committees and PACs totaling \$322,809. The discrepancies were primarily incorrect addresses and incorrect election to date totals. In response to the interim audit report, CFAS filed amended reports that corrected the discrepancies.

### Legal Standard

**A. Itemization Required for Contributions from Individuals.** An authorized candidate committee must itemize any contribution from a political committee made during the election cycle. 2 U.S.C. §434(b)(3)(B).

**B. Election Cycle.** The election cycle begins on the first day following the date of the previous general election and ends on the date of the next general election. 11 CFR §100.3(b).

**C. Required Information for Contributions from Individuals.** For each itemized contribution from a political committee, the committee must provide the following information:

- The contributor's full name and address (including zip code);
- The date of receipt (the date the committee received the contribution);
- The amount of the contribution; and
- The election cycle-to-date total of all contributions from the same political committee. 11 CFR §§100.12 and 104.3(a)(4) and 2 U.S.C. §434(b)(3)(B).

**D. Best Efforts Ensures Compliance.** When the treasurer of a political committee shows that the committee used best efforts (see below) to obtain, maintain, and submit the information required by the Act, the committee's reports and records will be considered in compliance with the Act. 2 U.S.C. §432(h)(2)(I).

**E. Definition of Best Efforts.** The treasurer and the committee will be considered to have used "best efforts" if the committee satisfied all of the following criteria:

- All written solicitations for contributions included:
  - A clear request for the contributor's full name, mailing address, occupation, and name of employer; and
  - The statement that such reporting is required by Federal law.
- Within 30 days after the receipt of the contribution, the treasurer made at least one effort to obtain the missing information, in either a written request or a documented oral request.
- The treasurer reported any contributor information that, although not initially provided by the contributor, was obtained in a follow-up communication or was contained in the committee's records or in prior reports that the committee filed during the same two-year election cycle. 11 CFR §104.7(b).

### **Facts and Analysis**

The Audit staff's review of contributions from political party committees and PACs revealed 263 contributions totaling \$322,809 that were not properly disclosed. The errors consisted of reporting an incorrect address and/or election cycle to date total for the political committee on Schedules A (Itemized Receipts). For the address errors, most were caused by CFAS incorrectly disclosing the PAC contact name on the mailing address line of the Schedule A instead of the actual street address. As for contributions reported with an incorrect election cycle to date total, the Audit staff notes that these contributions may have been caused by inconsistency with data entry for contributions received from joint fundraisers and the first two reporting periods in 2004.

This matter was presented at the exit conference along with workpapers detailing the errors. The CFAS representative stated that amendments would be filed to correct this matter.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that CFAS file amended Schedules A to correctly disclose the receipt of its contributions from political party committees and PACs. In response to the interim audit report, CFAS filed amended reports that corrected the disclosure discrepancies.

## **Finding 3. Recordkeeping for Disbursements**

### **Summary**

Reviews of operating expenditures and contribution refunds indicated that 7% and 11%, respectively, of the disbursements were not properly documented. The disbursements were all greater than \$200 and there were no canceled checks or vendor invoices. In response to the interim audit report, CFAS provided copies of canceled checks that corrected the discrepancies.

### **Legal Standard**

**A. Required Records for Disbursements.** For each disbursement, the treasurer of a political committee must keep records on the:

- Amount;
- Date;
- Name and address of the payee<sup>4</sup>;
- Purpose (a brief description of why the disbursement was made—see below); and
- If the disbursement was made on behalf of a candidate, the candidate's name and the office sought by the candidate.
- If the disbursement was in excess of \$200, the records must include a receipt or invoice from the payee, or a cancelled check or share draft to the payee. If the disbursement was by credit card, the record must include the monthly statement or customer receipt and the cancelled check used to pay the credit card bill.

2 U.S.C. §432(c)(5) and 11 CFR §§102.9(b).

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**B. Required Supporting Evidence.** For any single disbursement that exceeds \$200, the treasurer must also keep a receipt, an invoice, or a canceled check. 2 U.S.C. §432(c)(5).

**C. Preserving Records and Copies of Reports.** The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 2 U.S.C. §432(d).

### **Facts and Analysis**

The Audit staff reviewed operating expenditures on a sample basis. The review indicated that approximately 7% of operating expenditures were not properly documented. The only documentation available for these items was the entries on CFAS's disbursement database. The errors were all disbursements greater than \$200 for which there were no canceled checks, wire notices, reports from the payroll service or vendor invoices.

In addition, the Audit staff's review of contribution refunds indicated that approximately 11% of contribution refunds were not properly documented. For these errors, CFAS failed to maintain a canceled check or any other documentation to support these expenditures.

At the exit conference, CFAS's representative was informed of these matters. The representative stated that he would provide additional documentation relating to these transactions.

### **Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that CFAS obtain and provide for Audit staff review, the missing documentation for disbursements. In response to the interim audit report, CFAS provided copies of canceled checks that corrected the recordkeeping discrepancies.

## **Finding 4. Failure to Timely File 48 Hour Notices**

### **Summary**

CFAS did not timely file 48 hour notices for contributions totaling \$567,250 prior to the primary election. In response to the interim audit report recommendation, CFAS acknowledged that the notices were not filed timely, and explained the steps it has taken to ensure timely filing of reports.

### **Legal Standard**

**Last-Minute Contributions (48 Hour Notice).** Campaign committees must file special notices regarding contributions of \$1,000 or more received less than 20 days but more than 48 hours before any election in which the candidate is running. The Federal Election Commission must receive the notices within 48 hours of the committee's receipt of the contribution. This rule applies to all types of contributions to any authorized committee of the candidate, including:

- Contributions from the candidate;
- Loans from the candidate and other non-bank sources; and
- Endorsements or guarantees of loans from banks. 11 CFR §104.5(f).

**Facts and Analysis**

A 100% review of contributions of \$1,000 or more received within the 48 hour reporting period for the primary election revealed that CFAS did not timely file notices totaling \$567,250. The contributions requiring notices were all received between April 9, 2004 and April 23, 2004. However, the 48 hour notice filings were all made on April 26, 2004, the day before the primary election in the state of Pennsylvania.

The Audit staff addressed this matter at the exit conference. CFAS's representative stated that CFAS was aware of the problem. The representative further stated that it was simply an oversight, and once that CFAS was aware of the problem, it filed all required 48 hour notices. Furthermore, he stated that notices were filed timely during the general election period.

**Interim Audit Report Recommendation and Committee Response**

The Audit staff recommended that CFAS provide evidence that the 48 hour notices were timely filed or submit any written comments it considers relevant. CFAS responded that, as soon as it became aware of the delays, it filed all of the required reports on April 26, 2004 – the day before the primary. The delayed findings were an isolated incident, and CFAS filed all 48-hour reports in a timely manner prior to the general election.